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Auditor: Revenue Does Excellent Job Collecting Debts

OLYMPIA, Wash., Aug. 12, 2008 — The Department of Revenue is doing an excellent job managing state debt collections, according to a performance audit issued today by State Auditor Brian Sonntag.

The state auditor's office thoroughly reviewed the debt collection practices of Revenue and several other agencies. The audit found that the Department employs all the best practices evaluated by the State Auditor plus additional practices that have contributed to its success.

Examples of best practices cited in the report include an Initial Contact Team that uses autodialing technology to contact taxpayers who fall behind on their tax obligations, and data sharing with the Department of Labor and Industries and the Employment Security Department to help all three agencies focus their collection efforts.

The audit said 76 percent of the \$3.3 billion in debts it tracked fell within the responsibility of DOR, and that the Department was an "excellent performer" in pursuing successful collection of those unpaid taxes.

The audit also highlighted the Department's commitment to streamline debt collection operations and its use of "excellent performance measures" to gauge the effectiveness of its debt collection efforts.

The audit conclusions correspond to earlier recognition received by the Department for debt collection efforts, including the 2005 Outstanding Public Service Award from the American Society of Public Administration.

Director Cindi Holmstrom said she is pleased by the audit's conclusions and proud of her staff.

“We put tremendous effort and thought into being top performers in this area,” she said. “It’s gratifying to have the results validated by an independent third party.”

She noted that over the past five years, the Department has put into deferred status less than 0.2 percent of its \$17.9 billion in overall collections, an average of \$33.5 million annually. These uncollected taxes generally stem from bankruptcies and other instances where businesses no longer have attachable assets. Even then, the Department continues to seek to collect those taxes if assets become available, such as through a lien on a property that may eventually be sold. Only after 12 years does it finally write off the taxes as uncollectible.

Holmstrom noted that technological advancements and other efficiencies have allowed the Department to maintain a high degree of taxpayer compliance even though the number of registered businesses has doubled over the past 15 years while agency staffing hasn’t increased.

“The Department appreciates these performance audits because the intensive review involved helps us identify areas of potential improvement,” she said. “We will continue to evaluate and implement leading practices to maximize collections on behalf of Washington citizens.”

The full audit is available at

<http://www.sao.wa.gov/Reports/AuditReports/AuditReportFiles/ar1000012.pdf>.

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